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Grain and Feed

December Monthly Update

2007

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Report Highlights:
December's grain production estimate for Russia is 80.4 million metric tons (mmt). The wheat production estimate has been raised to 48.3 mmt (a 7.6-percent increase from the 2006 crop). The barley production estimate has been raised to 16.5 mmt, but still remains 9 percent lower than the 2006 crop. Prohibitive export tariffs halted barley exports in November, while wheat exports continued to grow in October and have remained strong in November. Due to the increased crop estimate, the grain export forecast has been raised to 12.7 mmt, including 11.5 mmt of wheat and 1.05 mmt of barley.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Trade Report
Moscow [RS1]
[RS]

Table of Contents

Executive Summary

The December estimate of 2007 grain production for Russia is 80.4 million metric tons (mmt), up 2.3 percent from last year's crop. The latest estimate has been raised from the November figures by 0.7 mmt, including an increase in the wheat production estimate from 48.1 mmt to 48.3 mmt, and increases of 0.1 mmt for the barley and corn production estimates to 16.5 mmt and 3.8 mmt, respectively. Estimates have been raised due to bumper grain crops in the Siberian Federal district and other oblasts.

Domestic wheat prices have stabilized at high levels, but wheat exports have continued at a rapid pace and reached a monthly record of 2.8 mmt in October 2007. Grain traders increased exports in October and continued wheat exports in November in order to close their contracts before a possible introduction of wheat export duties in January 2008. Barley exports were relatively low in October due to a small crop, and may cease in November after prohibitive export tariffs on barley came into force on November 12, 2007. Given that in July – November 2007, Russia exported approximately 9.5 mmt of grain, and based on the increased grain crop estimates, the total MY 2007 export estimate is raised from 12.0 mmt to 12.7 mmt, including 11.5 mmt of wheat, 1.05 mmt of barley, and nearly 150,000 metric tons of other grains, including corn, rice, and rye.

Government interventions began on October 29, and by November 28 fewer than 240,000 metric tons of wheat were sold from the 1.5 mmt grain intervention fund. Grain was sold only to big flour mills connected with provincial administrations at below market prices, and these interventions have not influenced the grain market price. An increase in wheat export tariffs up to 40 percent *ad valorum* is expected in January 2008 if exports continue to grow and threaten domestic grain consumption.

The 2007 Crop

The Russian Ministry of Agriculture increased its grain crop estimate from 80 mmt to 81 mmt due to the bumper grain crop in Siberian Federal District, Orenburg oblast, and Kurgan oblast. Official data on grain production by region and crop will not be available before the end of January, but experts estimate the wheat crop at 47.9 – 48.5 mmt (up 2.7 mmt from last year). According to sources, the grain crop in the Siberian Federal District increased by almost 3.0 mmt from last year and reached 15.0 – 15.5 mmt. Reported data on grain crop production in agricultural enterprises[1] as of November 13 is minimally changed from the October 30 report: total grain 65.74 mmt (up 0.3 mmt), including wheat – 40.55 mmt (up 0.15 mmt), barley 13.2 mmt (no increase), and corn – 2.82 mmt (up 0.22 mmt). On the assumption that the share of agricultural enterprises in grain production remains unchanged in 2007, the total bunker-weight grain crop as of November 13, 2007, may be estimated at 83.9 mmt. Meanwhile, the media reports that by mid-November Russia harvested 86.3 mmt of grain (bunker weight). The difference may be attributed either to enterprises under-reporting or to the increased private farmer share in grain production. Post raised the total grain crop production estimate by 0.7 mmt to 80.4 mmt, including an increase in the wheat production estimate from 48.1 mmt to 48.3 mmt, and a 0.1 mmt increase in the barley and corn production estimates to 16.5 mmt and 3.8 mmt, respectively. Another 0.3 mmt of the increase is attributed to greater production of rye and other grains, such as buckwheat and rice.

[1] Agricultural enterprises, vs private households and private farms, include collective and state farms, joint stock companies and partnerships of all types, agricultural production cooperatives, subsidiary farming units affiliated with industrial, transportation and other enterprises, organizations and scientific research institutes.

Winter Sowing Progress

Sources report that the total area sown to winter crops (both for grain and green chop[2]) is 6-7 percent higher than in 2006. In agricultural enterprises winter crops were sown on 12.83 million hectares by November 13[3], compared with 11.71 million hectares on the same date a year ago. Winter grain-for-grain area in agricultural enterprises increased 10 percent from 11.41 million hectares to 12.54 million hectares. Area plowed for spring sowing also increased in agricultural enterprises by 12 percent from 23.79 million hectares on November 13, 2006 to 26.60 million hectares on the same data in 2007. The significant increase in plowed-for-spring-sowing area demonstrates that many farmers still rely on the traditional agro-technologies and crop rotation, rather than on minimum- or no-till systems in crop production.

Trade

According to SovEcon's preliminary data, Russia's grain exports in October 2007 reached a monthly record of 3.0 mmt, including 2.8 mmt of wheat and 200,000 metric tons of barley. Thus, the total grain exports in July – October, 2007 reached almost 7.8 mmt, including 7.1 mmt of wheat (without wheat flour) and 650,000 metric tons of barley. Experts estimate November's exports to decrease to 1.7mmt - 1.8 mmt due to prohibitive export duties on barley, logistical problems (shortage of railcars), and unfavorable weather in the sea ports. Grain exports in June – November 2007 are estimated at 9.5 mmt – 9.6 mmt. Experts expect that grain exports in December will not exceed 1.0 mmt due to seasonal logistical constraints. Sources report that grain traders are fulfilling their previous contracts, but are refraining from making new contracts for January – February, 2008, because further administrative restrictions of grain exports are envisaged in the beginning of CY 2008. However, given that the EU has lifted grain import quotas, Russia's exporters may increase export plans. Due to actual exports in July - November, 2007 and the increased crop estimate, Post raised the total grain export estimate for MY 2007 to 12.7 mmt, including 11.5 mmt of wheat, 1.05 mmt of barley, and up to 150,000 metric tons of other grains. Given the good grain crop in Kazakhstan, Russia's wheat imports are raised from 1.1 mmt to 1.4 mmt. Barley and corn imports estimates are unchanged, while rice imports are estimated at 200,000 metric tons. Russia's total grain imports are estimated at 2.0 mmt in MY 2007.

Prices

Domestic prices have not changed since the end of October. In European Russia, class 3 wheat prices remain at 6,000 rubles per metric ton[4]. Despite price stabilization, domestic trade in grain is not active. Present demand for food grain is partially filled with cheap wheat from the intervention fund, and demand for grain for feeding is expected to increase in January – April 2008, when stocks of grain are exhausted at feed mills and livestock and poultry farms.

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[2] Some winter crops, including grains (i.e. rye) are sown for grain-or-green chop, depending on the winter survival of crop. Thus, winter rye may be harvested in spring for green chop, or, if the stand is good, may be left for grain.
[3] Source: WJ Interagro
[4] Due to falling $US to Ruble exchange rate, Russia's domestic wheat price in $US increased from $240 per metric tons to $250 per metric ton. The decreasing $/Ruble exchange rate does not stimulate Russia's grain exports.

Consumption

Total MY 2007 domestic grain consumption is estimated at 70.4 mmt (up approximately 2.0 mmt from MY 2006), including 34.25 mmt of feed grain consumption (up 1.0 mmt from MY 2006), and 20.8 mmt of food grain consumption (up 0.7 mmt from last year). Feed grain consumption is increasing due to expansion of livestock feeding under the National Priority Project[5], while increased food grain consumption is attributed primarily to consumer's reaction to growing retail food prices.

Policy

No changes have been made in grain export policy since the introduction of export tariffs on wheat and barley[6] on November 12, 2007. Experts consider that the wheat export duty (10 percent *ad valorem*, but not less than 22 Euro per metric ton) will not curb wheat exports, while export duty on barley (30 percent *ad valorem*, but not less than 70 Euro per metric ton) will stop barley exports from Russia until this duty is lifted. In November, the Russian Government discussed the possibility of introducing prohibitive export duties (40 percent *ad valorem*) on wheat as well or a ban on wheat exports. The export ban is unlikely, as it requires some amendments to the federal legislature framework which cannot be made before the new legislative authority is elected and begins work. The prohibitive export duty, which may be introduced by the Resolution of the Government, is more likely, though Agricultural Minister Aleksey Gordeev said this week that import restrictions may not be needed in the new year. The Russian Grain Union is in the process of negotiations with the respective Government agencies on the time of introduction of these duties. The government has so far respected an unwritten agreement with Russian grain traders on the postponement of measures to further curb wheat exports until January 2008. Given the favorable wheat crop, strong domestic demand and high wheat prices, as well as some stabilization in the world wheat market, Russian wheat exports may slow down without additional measures in December 2007 – February 2008.

Grain interventions continued in November 2007[7]. By the end of November, ten trading sessions were held at the authorized commodity exchange, and 239,000 metric tons were sold, including 238,000 metric tons of class 3 wheat and 1,000 metric ton of class 4 wheat. More than 1.2 mmt of wheat remain in the state intervention fund. All information on the quantity of sales is on the website of the Commodity Exchange: http://www.namex.org/UserFiles/SI281107.doc

Given that the buyers may only be big flour mills connected with provincial administrations, the interventions function as a targeted subsidy for local flour mills and will not influence grain market prices due to the limited consumer effect. The average price of class 3 wheat sold was low – 5,082 rubles per metric ton and this price will not encourage grain producers to start selling grain. For, example, Irkutsk oblast's government tried to purchase food quality grain for the regional fund and set the ceiling price at 5,500 rubles per metric ton. Nobody volunteered to sell grain at this price.

[5] GAIN RS7005 *Federal Law "On Development of Agriculture"*, and RS7051 *Government Program for Agriculture and for Market Regulation 2008-2012*

[6] GAIN RS7070 *Russian Government Resolution on Temporary Export Duties on Wheat and Barley*

[7] GAIN RS7075 *Grain Interventions Announced*, RS7082 *Grain and feed November Monthly Update*

PSD Tables

Wheat

PSD Table										
Country	Russian Federation									
Commodity	Wheat						(1000 HA)(1000 MT)(MT/HA)			
	2005 Revised			2006 Estimate			2007 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Area Harvested	25400	25400	25400	23700	23700	23700	24500	24500	24500	(1000 HA)
Beginning Stocks	3891	3891	3891	3809	3809	3809	2380	2380	2380	(1000 MT)
Production	47700	47700	47700	44900	44900	44900	48000	48100	48300	(1000 MT)
MY Imports	1282	1282	1282	861	861	861	1000	1100	1400	(1000 MT)
TY Imports	1282	1282	1282	861	861	861	1000	1100	1400	(1000 MT)
TY Imp. from U.S.	4	4	4	0	0	0	0	0	0	(1000 MT)
Total Supply	52873	52873	52873	49570	49570	49570	51380	51580	52080	(1000 MT)
MY Exports	10664	10664	10664	10790	10790	10790	12000	11000	11500	(1000 MT)
TY Exports	10664	10664	10664	10790	10790	10790	12000	11000	11500	(1000 MT)
Feed Consumption	14900	14900	14900	14100	14100	14100	14900	15000	15000	(1000 MT)
FSI Consumption	23500	23500	23500	22300	22300	22300	22300	23400	23400	(1000 MT)
Total Consumption	38400	38400	38400	36400	36400	36400	37200	38400	38400	(1000 MT)
Ending Stocks	3809	3809	3809	2380	2380	2380	2180	2180	2180	(1000 MT)
Total Distribution	52873	52873	52873	49570	49570	49570	51380	51580	52080	(1000 MT)
Yield	1.88	1.88	1.88	1.89	1.89	1.89	1.96	1.96	1.97	(MT/HA)

Barley

PSD Table										
Country	Russian Federation									
Commodity	Barley						(1000 HA)(1000 MT)(MT/HA)			
	2005 Revised			2006 Estimate			2007 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Area Harvested	9150	9150	9150	10000	10000	10000	9800	9800	9800	(1000 HA)
Beginning Stocks	2110	2110	2110	873	873	873	1226	1173	1226	(1000 MT)
Production	15800	15800	15800	18100	18100	18100	17000	16400	16500	(1000 MT)
MY Imports	189	189	189	200	200	200	200	200	200	(1000 MT)
TY Imports	188	188	188	200	200	200	200	200	200	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	18099	18099	18099	19173	19173	19173	18426	17773	17926	(1000 MT)
MY Exports	1726	1726	1726	1547	1600	1547	1600	900	1050	(1000 MT)
TY Exports	1397	1397	1397	2000	2000	2000	1600	900	1050	(1000 MT)
Feed Consumption	10900	10900	10900	11800	11800	11800	11600	11700	11600	(1000 MT)
FSI Consumption	4600	4600	4600	4600	4600	4600	4500	4500	4550	(1000 MT)
Total Consumption	15500	15500	15500	16400	16400	16400	16100	16200	16150	(1000 MT)
Ending Stocks	873	873	873	1226	1173	1226	726	673	726	(1000 MT)
Total Distribution	18099	18099	18099	19173	19173	19173	18426	17773	17926	(1000 MT)
Yield	1.73	1.73	1.73	1.81	1.81	1.81	1.73	1.67	1.68	(MT/HA)

Corn

PSD Table										
Country	Russian Federation									
Commodity	Corn						(1000 HA)(1000 MT)(MT/HA)			
	2005 Revised			2006 Estimate			2007 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007	MM/YYYY
Area Harvested	850	850	850	1000	1000	1000	1300	1400	1400	(1000 HA)
Beginning Stocks	241	241	241	144	144	144	194	194	194	(1000 MT)
Production	3200	3200	3200	3600	3600	3600	3500	3700	3800	(1000 MT)
MY Imports	306	306	306	150	150	150	200	200	200	(1000 MT)
TY Imports	306	306	306	150	150	150	200	0	200	(1000 MT)
TY Imp. from U.S.	15	15	15	0	0	0	0	0	0	(1000 MT)
Total Supply	3747	3747	3747	3894	3894	3894	3894	4094	4194	(1000 MT)
MY Exports	53	53	53	100	100	100	100	100	50	(1000 MT)
TY Exports	53	53	53	100	100	100	100	100	50	(1000 MT)
Feed Consumption	3000	3000	3000	3100	3100	3100	3100	3250	3350	(1000 MT)
FSI Consumption	550	550	550	500	500	500	500	600	600	(1000 MT)
Total Consumption	3550	3550	3550	3600	3600	3600	3600	3850	3950	(1000 MT)
Ending Stocks	144	144	144	194	194	194	194	144	194	(1000 MT)
Total Distribution	3747	3747	3747	3894	3894	3894	3894	4094	4194	(1000 MT)
Yield	3.76	3.76	3.76	3.6	3.6	3.6	2.69	2.64	2.71	(MT/HA)

Relevant Reports

RS7082 Grain and Feed / November Monthly Update
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RS7075 Grain and Feed / Grain Interventions Announced
http://www.fas.usda.gov/gainfiles/200710/146292770.doc

RS7074 Grain and Feed / Court Upholds Anti-Trust Ruling Against VPSS
http://www.fas.usda.gov/gainfiles/200710/146292764.doc

RS7070 Grain and Feed / Russian Government Resolution on Temporary Export Duties on Wheat and Barley
http://www.fas.usda.gov/gainfiles/200710/146292739.doc

RS7068 Grain and Feed / Grain Export Tariffs Coming in November
http://www.fas.usda.gov/gainfiles/200710/146292716.doc

RS7320 Grain and Feed / Grain Interventions and Export Tariffs Likely
http://www.fas.usda.gov/gainfiles/200709/146292480.doc

RS7059 Grain and Feed / Grain September Update
http://www.fas.usda.gov/gainfiles/200708/146292218.doc

RS7051 Agricultural Situation / Government Program for Agriculture and for Market Regulation 2008-2012
http://www.fas.usda.gov/gainfiles/200707/146291764.pdf

RS7005 Agricultural Situation / Federal Law "On Development of Agriculture"
http://www.fas.usda.gov/gainfiles/200701/146279991.pdf

RS7004 Agricultural Situation / Decrees on Agricultural Subsidization
http://www.fas.usda.gov/gainfiles/200701/146279951.pdf